

Workers' Compensation Advisory Committee (WCAC)

Meeting Minutes

June 4, 2003

INTRODUCTIONS:

PRESENT:

COMMITTEE MEMBERS PRESENT: Mike Sotelo, W.G. Clark Construction, Inc.; Owen Linch, Joint Council of Teamsters; Mitch Seaman for Roger Boatwright, WA State Building & Construction Trades Council; Randy Loomans for Robby Stern, Washington State Labor Council, AFL-CIO; Tom Egan, Board of Industrial Insurance Appeals (BIIA); Bob Malooly, Chair; Bev Gunther, Recorder

COMMITTEE MEMBERS NOT PRESENT: Clif Finch, Association of Washington Business; Robby Stern, Washington State Labor Council, AFL-CIO; Jon Warling, Mar-Jon Orchards; Roger Boatwright, WA State Building & Construction Trades Council; Lori Carlson, Washington Self-Insurance Association

PRESENTERS: Tom Egan, Dr. Gary Franklin, Mark Mercier, Diana Drylie, Joel Sacks, Bill Vasek

GUESTS: Frank Prochaska, AWPPW; Tina Coakley, Boeing; Sue Holm, WDTL; Lauren Gubbe, AGC; Sharon Morris, U of W; Sara Crumb, WSTLA; Steven George, Hop Growers of Washington

L&I STAFF: Jody Moran, George Pickett, Heather Grob, Diane Doherty, Frank Romero, Russ Redding, Jami Lifka, Barbara Silverstein

INTRODUCTIONS

Review/Approval of April 16, 2003 Meeting Minutes – since the members attending had not been in attendance at the April 16 meeting they did not feel comfortable approving the minutes. It was decided Bev Gunther would send the minutes out to the members via e-mail to get approval.

Board of Industrial Insurance Appeals (BIIA) – Tom Egan

Tom provided the following updates on the BIIA statistics:

- Appeals filed and granted by month are remaining fairly stable.
- Total industrial insurance appeals filed, includes both self-insured and State Fund, have leveled out at around 3,000 per quarter.
- Department reassumption rate is steady at about 26%.
- Quarterly Agreements and Dismissals – history indicates dismissals outnumbered agreements, however, since December 2000 that has not been the case.
- Affirmance rate – PD&Os and D&Os (litigated cases): There have been major spikes in the statistics due to the relative small numbers of orders. The average for State Fund has remained fairly steady at 55-60%, self-insured average 60%.

- Average PD&O lag time (for hearing Judges) 28 days at the quarter ending March 2003, compared to 26 days at quarter ending December 2002.
- D&O time lag remaining 70-75 days in spite of a 30-40% increase in the Board's workload.
- Quarterly average weeks-to-completion continues to go down, at 35.1 weeks as of March 2003. This was one of the Board's goals in the Governor's Scorecard – the Board has been doing well. In March 2000, they were at 39.39 weeks.
- Caseload at the end of month continues to decline – just over 5,500. The Board has been issuing more orders.
- Final Orders appealed to Superior Court-quarterly – The Board has been doing a great job keeping cases from going to Superior Court. Only 3-4% of the total appeals filed at the Board end up in Superior Court.

The question was asked where the Board was in the process of replacing the Business member of the Board.

Tom reported the Business community is in the process of soliciting applicants. Hopefully within the next month or so they will be forwarding three names of potential candidates to the Governor for consideration. It could be possibly two to three months before the new member is appointed.

Health Policy Update – Dr. Gary Franklin

Dr. Franklin reported the rule specifying when a presumption of occupational disease for fire fighters applies has been finalized and forwarded to the Director. A copy is attached. On page two of the document there is a table identifying when presumptions shall and shall not apply depending on the medical condition. Dr. Franklin indicated the fire fighters were pleased with the rules. He thanked David Bonauto and Jami Lifka for their work on the bill.

Dr. Franklin also reported that Engrossed Substitute House Bill 1299 passed out of the Legislature and was signed by the Governor. This bill deals with evidence-based health services purchasing by state purchased health care programs. Dr. Franklin indicated there would be a cooperative effort with other affected state agencies in adopting the appropriate rules.

Financial Update – Mark Mercier

Annualized Medical Growth Rates: This quarter the annualized medical growth rate was 5.8% and the Seattle-Tacoma-Bremerton index was 4.3%. The growth rate was 4.0% last quarter. The growth rate should grow for one or two more quarters, if we have a typical cycle of two and a half years.

Time Loss: The annualized change in time-loss duration was an increase of 8.8% this past quarter, the same as the previous quarter.

Average Time-Loss Duration: The duration can be expressed in terms of days. Mark indicated he would probably replace the previous exhibit with this one in future presentations. The average time-loss duration in days was: 211.5 this last quarter, down slightly from 213 days from the previous quarter.

Expected Results: The Contingency Reserve declined \$80 million this quarter, \$32 million more than expected. Virtually all of that difference is attributable to the stock market results. There was net adverse loss development of \$16 million. Medical reserves developed \$86 million beneficial and temporary partial disability developed \$108 million adverse.

Contingency Reserve at end of Period: The target Contingency Reserve, 10% of liabilities, was \$806 million for March 31, 2003. The actual Contingency Reserve at March 31 was \$87 million, \$719 million short of the target.

Expenses and Revenue: Expenses and revenues continue to be relatively smooth. The lower expense this period compared to the high expense last period reflects changes in non-admitted assets. Revenues are up slightly as premium increases due to the rate change begin to flow into the system.

Benefits and Administrative Expenses: Total benefits incurred have been stable over the last year. However, the incurred-by-benefit type has been less smooth.

Benefits Incurred: Benefits incurred have been stable over the last year, but definitely not by fund.

Asset Development: Equities decreased \$46 million. The department reflects \$24 million of decreased value of bonds on loss of investment grade.

Is it Still There? In the quarter, the Wilshire 5000 index was down 3.5% and the EAFE index was down 8.8%. Both indices were down about 25% from March 31, 2002. The markets have come up since then, but we have no reassurance from the State Investment Board that this is not simply a “bear market rally” and the gain could vanish quickly.

Temporary Partial Disability (TPD): The department increased the TPD reserve \$100 million this quarter, a 9.1% one-quarter increase. The TPD reserve for an accident period is calculated by estimating the ultimate number of pensions to be granted, subtracting the number of pensions already granted, and then multiplying that by the estimated average pension cost. The total reserve is the sum of the reserves by accident period. The driver is not an increase in the average cost of a pension, but a radical increase in the estimated ultimate number of pensions. The reserve model is frequency driven.

Mark indicated they have seen an increasing number of pensions granted. This could be caused by the *Leeper* decision of April 1994 that made it easier to obtain a pension and/or it may be claims are taking less time to get to pension because of proper file preparation. The pension backlog is down to one month, compared to four and five months in 2002 and 2001.

Occupational Health Services Pilot Project Update – Diana Drylie

Diana provided an update on the two pilot projects underway to expand occupational health care expertise of physicians for the purpose of improving health care processes, outcomes and satisfaction.

The pilot at the Renton Valley Medical Center now has 114 pilot doctors enrolled and approximately 5,400 injured workers have had pilot doctors submit their Report of Accident (ROA) form. An information system is in test phase to help identify injured workers on time loss for further coordination with the employer. Diana indicated the Business and Labor board members would make a presentation at an upcoming community seminar scheduled for June 10. The Business and Labor board has created a subcommittee to address participation of self-insured employers in this pilot. The subcommittee will meet on June 26.

Diana reported the process evaluation of the center at Valley Medical Center has begun – the physicians are being evaluated against occupational health best practices: ROA within two business days, activity prescriptions and employer phone calls. Initial results are looking good.

The pilot center in Spokane at St. Luke's Rehabilitation Center currently has 32 pilot doctors enrolled and will begin submitting ROAs for injured workers July 1, 2003. The first continuing medical education (CME) sponsored by L&I was well attended; CMEs are also scheduled for September 13 and February 21, 2004. The information system and web site for this center are nearly complete. The Business and Labor board members have been appointed and are scheduled for their first meeting June 13.

Next Steps – July 1, 2003 – formal evaluation begins for the Center at Valley Medical Center and process development/improvement begins at the Center at St. Luke's in Spokane.

IME Improvement Project – Nancy Peterson

Nancy was unable to be here today – a written update will be sent via e-mail. *This was sent out June 13.* A handout was provided in the packet.

Agency's Emphasis to Reduce Injuries / "Level the Playing Field" (for employers) Initiative Update – Joel Sacks

Joel reviewed the material provided in the meeting packet on these two initiatives – copies are attached as part of the minutes. Joel also shared a copy of a ladder safety self-inspection guide, indicating other similar lists are also available.

Mike Sotelo questioned how Washington compared to the national average with regard to wood framing injuries. *Joel indicated he would check on this.* Mike also questioned the availability of department bilingual staff as the number of workers of different languages increase in the building industry. *Joel indicated that hiring bilingual staff has become a greater agency priority. He stated the department is also looking at how to more efficiently use the bilingual staff we currently have. Joel noted one initiative scheduled to take place in the Tacoma field office is providing basic training in Spanish for staff.*

Impact of Cockle Decision / Pension Tables– Bill Vasek

Bill talked about the impact of the *Cockle* decision on the State Fund and the self-insureds. The estimated impact on the State Fund and the self-insureds is approximately the same, around \$19 million. A handout was distributed providing detail.

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Bill reported on and explained the Actuarial proposal to have separate gender-based pension tables. He indicated NCCI just recently changed over to gender-based pension tables. Under the department's pension table proposal, females and males would have different monthly annuity based on age at the time they are pensioned.

It was announced a special WCAC meeting was scheduled for Monday, August 11, 10:00 a.m. to noon in the Auditorium to discuss 2004 proposed rates. *This meeting has since been changed to Tuesday, August 12, same time and location.*

Business/Retro asked if it was possible to do a study of time-loss duration as it relates to the agriculture and construction industries to see effects of the Supreme Court's *Avundes* decision. *It was noted it could be done, but would be resource intensive. The Actuaries will get with Lauren Gubbe for specifics.*

A flyer announcing the 52nd Governor's Industrial Safety and Health Conference was provided. Bob requested attendees spread the word and encourage attendance at the conference.

Next quarterly WCAC meeting is scheduled for August 27, 2003, 9:00 a.m. to noon, here at the headquarters building in Tumwater in the Auditorium.